

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT

The Honorable Jim Hodges, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

We have jointly audited the accompanying general purpose financial statements of the State of South Carolina (the "State"), as of June 30, 2001, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not jointly audit the financial statements of certain blended component units and agencies of the primary government, which statements reflect the indicated percent of total assets and other debits and total revenues, respectively, of the Special Revenue (55% and 18%), Enterprise (99% and 95%), Internal Service (70% and 88%), Pension Trust (100% and 100%), Investment Trust (100% and 100%), Higher Education (100% and 100%), and Agency (19% of assets and other debits) Funds, General Fixed Assets Account Group (11% of assets and other debits), and the General Long-Term Obligations Account Group (61% of assets and other debits). We also did not jointly audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, including the Office of the State Auditor and Deloitte & Touche LLP acting separately, whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for those component units and agencies, is based solely on the reports of the other auditors. Deloitte & Touche LLP acting separately has audited 100% of the total assets and other debits and total revenues of the Investment Trust Fund, 3% and less than 1% of the total assets and other debits and total revenues, respectively, of the Special Revenue Funds, and 23% of the assets and other debits of the General Long-Term Obligations Account Group. The Office of the State Auditor, acting separately, has audited 38% and 44% of the total assets and other debits and total revenues, respectively, of the Higher Education Funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units identified in Note 1(a) were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinion.

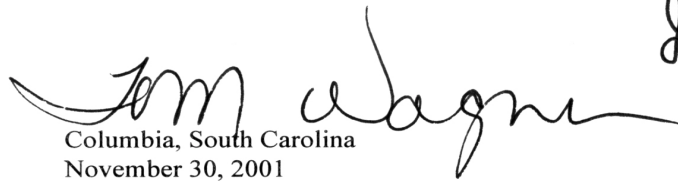
In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of South Carolina as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

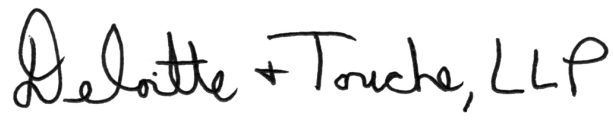
Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. These financial statements and schedules are also the responsibility of the management of the State. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

As discussed in Note 3 to the general purpose financial statements, the State of South Carolina adopted Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The introductory and statistical data listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


Columbia, South Carolina
November 30, 2001


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